
AGENCY OVERVIEW**401 Office of the Insurance Commissioner**

Date: 12/23/2014**Time:** 12:47:58**Statutory Authority**

North Dakota Century Code Title 26.1.

Agency Description

The North Dakota Insurance Department is a state regulatory agency headed by the Insurance Commissioner. The Department is made up of seven main divisions: Legal and Enforcement, Product Filing, Consumer Assistance, Examinations and Company Licensing, Agent Licensing, Administration and Special Funds. The Department employs 49.50 full-time staff members. All fees and fines paid by companies or agents are deposited into the insurance regulatory trust fund, from which the money to operate the office is appropriated by the North Dakota Legislative Assembly.

Agency Mission Statement

It is the mission of the North Dakota Insurance Department to protect the public good by fairly and effectively administering the laws of North Dakota. We are committed to vigorous consumer protection efforts while fostering a strong, competitive marketplace that provides consumers with choices and access to high-quality insurance products and services at competitive prices. In pursuit of our mission, we will treat all of our constituencies with the highest ethical standards and respect they deserve.

Agency Performance Measures

Goals for the Department and individuals are completed each year, and are reviewed for completion and accuracy on an ongoing basis. Statistics are kept in each division and compared to previous years. Each division submits regular reports depicting activities, problems and how to resolve them, status on special projects and upcoming events requiring special attention.

Major Accomplishments

1. Responded to consumer issues resulting in over \$10.6 million in consumer relief.
2. Closed out 400 agent and company complaints resulting in \$3.4 million in consumer relief.
3. Investigated and closed 112 insurance fraud cases.
4. Prosecuted 27 cases successfully resulting in criminal charges and restitution.
5. Completed 15 market analyses each year to identify general market disruptions and specific market conduct problems.
6. Collected over \$1.0 million from six insurance companies for using the Death Master File for their financial advantage and not in the best interest of their policyholders.
7. Proposed and had 7 administrative rules adopted by the Administrative Rules Committee, 3 were a result of statutory changes made during the 2011 session.
8. Provided low-cost insurance through the Fire and Tornado Fund to approximately 1,137 state entities and political subdivisions.
9. Waived Fire and Tornado Fund premiums for all state agencies and political subdivisions for the year starting July 1, 2014.
10. Completed inspections on 5,485 boilers in 2012 and 6,835 in 2013.
11. Closed 6,444 insurance form and rate filings in 2012 and 6,256 in 2013.
12. Implemented background checks for insurance producers as required by 2013 Legislative Session S.B. 2304.
13. Collected and deposited into the general fund \$82.5 million of premium tax and transferred \$7.4 million from the Insurance Regulatory Trust Fund to the General Fund.
14. Disbursed \$7.3 million in fire district payments to 371 certified districts in North Dakota in November 2013, implementing 2013 Legislative Session House Bill 1145.
15. Completed 5 financial examinations in 2012 and 6 in 2013 on domestic insurance companies.
16. Participated in the discussion and implementation of the federal health care reform activities under the Affordable Care Act (ACA) through many interim legislative committee meetings, public presentations and consumer inquiries.

Future Critical Issues

1. Foster and maintain healthy competition in all lines of insurance while preserving necessary consumer protections.
2. Maintaining adequate technology to improve Department efficiency and meet the changing needs of the industry and public.
3. Maintaining highly trained and motivated staff to meet the existing and changing demands of our consumers and industry.

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4. Educate customers on the importance of understanding insurance coverage and provide information and assistance to support that understanding.
5. Work with the US HHS Centers for Medicare and Medicaid Services (CMS) to assist Medicare beneficiaries.
6. Ensure compliance with insurance laws and administrative rules to ensure that consumers are treated fairly and are protected from unfair practices.
7. Investigate insurance fraud and other insurance-related misconduct.
8. Continue to work with state leaders and industry in the discussion and implementation of the Patient Protection and Affordable Care Act.
9. Continue to work with the health insurance industry to monitor the impact of the Patient Protection and Affordable Care Act.
10. Maintain a strong State Fire and Tornado Fund, State Bonding Fund, Petroleum Tank Release Compensation Fund, Unsatisfied Judgment Fund and return appropriate amounts of dollars to the General Fund through the Premium Tax Fund and Insurance Regulatory Trust Fund.
11. Protect the public by providing timely and thorough boiler inspections and repair guidance.
12. Implement any statutory changes as required by the 64th Legislative Assembly.

REQUEST SUMMARY

401 Office of the Insurance Commissioner
Biennium: 2015-2017

Bill#: SB2010

Date: 12/23/2014

Time: 12:47:58

Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
By Major Program					
Grants To Local Fire Departments	6,851,684	15,336,386	0	15,336,386	0
Regulatory and Administration	8,315,019	11,040,704	0	11,040,704	0
Total Major Program	15,166,703	26,377,090	0	26,377,090	0
By Line Item					
Salaries and Wages	5,998,490	8,019,514	419,148	8,438,662	0
Accrued Leave	0	163,182	(163,182)	0	0
Operating Expenses	1,611,106	2,858,008	(345,966)	2,512,042	0
Capital Assets	0	0	90,000	90,000	0
Grants to Fire Districts	7,021,684	15,336,386	0	15,336,386	0
American Health Benefit	231,979	0	0	0	0
Federal Affordable Care Act	303,444	0	0	0	0
Total Line Items	15,166,703	26,377,090	0	26,377,090	0
By Funding Source					
General Fund					
Federal Funds	923,350	1,381,025	(781,351)	599,674	0
Special Funds	14,243,353	24,996,065	781,351	25,777,416	0
Total Funding Source	15,166,703	26,377,090	0	26,377,090	0
Total FTE	49.50	49.50	0.00	49.50	0.00

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
Salaries and Wages					
Salaries - Permanent	4,367,547	5,758,333	234,824	5,993,157	0
Salaries - Other	0	0	15,000	15,000	0
Temporary Salaries	2,422	53,784	(14,264)	39,520	0
Overtime	0	166	(166)	0	0
Fringe Benefits	1,628,521	2,207,231	183,754	2,390,985	0
Total	5,998,490	8,019,514	419,148	8,438,662	0
Salaries and Wages					
General Fund	0	0	0	0	0
Federal Funds	270,824	439,447	(83,594)	355,853	0
Special Funds	5,727,666	7,580,067	502,742	8,082,809	0
Total	5,998,490	8,019,514	419,148	8,438,662	0
Accrued Leave					
Salaries - Permanent	0	163,182	(163,182)	0	0
Total	0	163,182	(163,182)	0	0
Accrued Leave					
General Fund	0	0	0	0	0
Federal Funds	0	5,726	(5,726)	0	0
Special Funds	0	157,456	(157,456)	0	0
Total	0	163,182	(163,182)	0	0
Operating Expenses					
Travel	219,446	397,024	40,891	437,915	0
Supplies - IT Software	62,347	89,490	7,870	97,360	0
Supply/Material-Professional	15,380	16,980	2,385	19,365	0
Food and Clothing	1,752	1,100	1,600	2,700	0
Bldg, Ground, Maintenance	190	100	0	100	0
Miscellaneous Supplies	5,305	15,980	0	15,980	0
Office Supplies	19,656	28,820	0	28,820	0
Postage	71,784	99,875	(3,625)	96,250	0
Printing	37,232	58,666	(12,331)	46,335	0
IT Equip Under \$5,000	27,639	39,050	(3,900)	35,150	0
Other Equip Under \$5,000	2,439	200	(200)	0	0
Office Equip & Furn Supplies	37,560	28,985	(8,185)	20,800	0
Insurance	13,374	15,175	(10,105)	5,070	0
Rentals/Leases-Equip & Other	15,221	21,840	(2,400)	19,440	0

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
Rentals/Leases - Bldg/Land	284,996	364,449	65,318	429,767	0
Repairs	29,404	2,630	3,926	6,556	0
IT - Data Processing	234,774	376,954	26,996	403,950	0
IT - Communications	65,460	94,136	(20,006)	74,130	0
IT Contractual Svcs and Rprs	138,496	68,600	(30,252)	38,348	0
Professional Development	45,612	82,608	(10,131)	72,477	0
Operating Fees and Services	96,510	138,310	(7,966)	130,344	0
Fees - Professional Services	186,529	917,036	(385,851)	531,185	0
Total	1,611,106	2,858,008	(345,966)	2,512,042	0

Operating Expenses

General Fund	0	0	0	0	0
Federal Funds	420,547	935,852	(692,031)	243,821	0
Special Funds	1,190,559	1,922,156	346,065	2,268,221	0
Total	1,611,106	2,858,008	(345,966)	2,512,042	0

Capital Assets

IT Equip/Sftware Over \$5000	0	0	90,000	90,000	0
Total	0	0	90,000	90,000	0

Capital Assets

General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	0	90,000	90,000	0
Total	0	0	90,000	90,000	0

Grants to Fire Districts

Grants, Benefits & Claims	7,021,684	15,336,386	0	15,336,386	0
Total	7,021,684	15,336,386	0	15,336,386	0

Grants to Fire Districts

General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	7,021,684	15,336,386	0	15,336,386	0
Total	7,021,684	15,336,386	0	15,336,386	0

American Health Benefit

Travel	1,205	0	0	0	0
Printing	5	0	0	0	0

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
Rentals/Leases-Equip & Other	29	0	0	0	0
Rentals/Leases - Bldg/Land	1,549	0	0	0	0
IT - Data Processing	10,234	0	0	0	0
Professional Development	369	0	0	0	0
Fees - Professional Services	218,588	0	0	0	0
Total	231,979	0	0	0	0

American Health Benefit

General Fund	0	0	0	0	0
Federal Funds	231,979	0	0	0	0
Special Funds	0	0	0	0	0
Total	231,979	0	0	0	0

Federal Affordable Care Act

Salaries - Permanent	186,018	0	0	0	0
Fringe Benefits	65,716	0	0	0	0
Travel	10,163	0	0	0	0
Supplies - IT Software	2,005	0	0	0	0
Supply/Material-Professional	563	0	0	0	0
Miscellaneous Supplies	16	0	0	0	0
Office Supplies	407	0	0	0	0
Postage	372	0	0	0	0
Printing	213	0	0	0	0
IT Equip Under \$5,000	2,613	0	0	0	0
Office Equip & Furn Supplies	9,319	0	0	0	0
Insurance	426	0	0	0	0
Rentals/Leases-Equip & Other	460	0	0	0	0
Rentals/Leases - Bldg/Land	19,000	0	0	0	0
Repairs	28	0	0	0	0
IT - Communications	1,247	0	0	0	0
Professional Development	2,048	0	0	0	0
Operating Fees and Services	2,689	0	0	0	0
Fees - Professional Services	141	0	0	0	0
Total	303,444	0	0	0	0

Federal Affordable Care Act

General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	303,444	0	0	0	0

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
Total	303,444	0	0	0	0
Funding Sources					
General Fund	0	0	0	0	0
Federal Funds	923,350	1,381,025	(781,351)	599,674	0
Special Funds	14,243,353	24,996,065	781,351	25,777,416	0
Total Funding Sources	15,166,703	26,377,090	0	26,377,090	0

CHANGE PACKAGE SUMMARY

401 Office of the Insurance Commissioner
Biennium: 2015-2017

Bill#: SB2010

Date: 12/23/2014

Time: 12:47:58

Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
<u>Base Budget Changes</u>						
One Time Budget Changes						
A-B 2 Base Budget IT Software		0.00	0	0	90,000	90,000
Total One Time Budget Changes		0.00	0	0	90,000	90,000
Ongoing Budget Changes						
A-A 1 Base Budget Operating Expenses		0.00	0	(692,031)	346,065	(345,966)
Base Payroll Change		0.00	0	(89,320)	345,286	255,966
Total Ongoing Budget Changes		0.00	0	(781,351)	691,351	(90,000)
Total Base Budget Changes		0.00	0	(781,351)	781,351	0

BUDGET CHANGES NARRATIVE**401 Office of the Insurance Commissioner****Bill#: SB2010****Date:** 12/23/2014**Time:** 12:47:58

Change Group: A	Change Type: A	Change No: 1	Priority:
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Base Budget Operating Expenses

(\$345,966) - Total decrease in the Operating Expenses for the department. This change package is a result of the Insurance Department's federal funding decrease and an increase in operating expenses that are not within the department's control.

The overall impact of the federal funding on the department's operating expenses:

- The Rate Review Grant (\$660,000)
- The State Health Insurance Counseling Grant (\$121,549)

The changes in Operating Expenses are identified in the following:

Travel increase \$40,891: The Department is anticipating an increase in travel expenses for their boiler inspectors due the increased travel in the western part of the state for the increased number of boilers. The agency will also be hiring an additional boiler inspector that will require travel. The agency also experienced an increase the department issued fleet vehicles for the fraud investigators for the depreciation on the vehicles.

Professional Supplies \$2,385: The Department's professional subscriptions continue to increase as well the cost of purchasing the North Dakota Century Code.

Safety \$1,600: The Department will be purchasing a new bullet proof vest for one of the fraud investigators.

IT Software \$7,670: The Department will be purchasing new software and developed new software in 2013-15 that will require annual software maintenance.

Printing (\$12,331): The department continually reviews their processes of sending out information to their customers. The department began making items available electronically instead of sending out printed mailers to their customers. The department plans to continue to look for ways to improve their methods of communication that is more cost effective for the state during the 2015-17 biennium including the use of electronic submittal of forms.

Postage (\$3,625): The decrease in printing within the department also affected the amount of postage the department uses to mail out the information to their customers. The use of electronic delivery of information has made a large impact on the amount of postage the department uses.

IT Equip Under \$5,000 (\$3,900): The department purchased scanners during the 2013-15 biennium and does not anticipate the purchase of any in 2015-17.

Office Equip & Furn Supplies (\$8,385): The department anticipates new furniture will need to be purchased if they have to move and combine their two of their locations.

Insurance (\$10,105): Worker's compensation had been previously budgeted in this line as well as in the payroll fringes.

BUDGET CHANGES NARRATIVE**401 Office of the Insurance Commissioner****Bill#: SB2010****Date:** 12/23/2014**Time:** 12:47:58

Rentals/Leases - Equip & Other (\$2,400): The service agreements for copiers has been moved to the repair line.

Rentals/Leases - Bldg/Land \$65,318: The department will be experiencing offsite lease increases as the market continues to rise.

Repairs \$3,926: The copier service agreements were previously budgeted for under Rentals/Leases – Equip. & Other line.

IT-Data Processing \$26,556: The additional amount needed to cover the increase in ITD's rates to cover the ongoing costs of the various software applications for the department and additional services needed for new software programs.

IT-Communications (\$20,006): Telecommunication services had a decrease in rates.

IT Contractual Services (\$30,252): Surplus Lines software was developed in 2013-15.

Professional Development (\$10,131): The positions within the department require certain levels of professional designation that were achieved during the 2013-15 biennium.

Operating Fees (\$7,966): The SHIC grant's operating fees were reduced to account for outreach training that will not be done in 2015-17.

Fees-Professional Services (\$385,651): The Rate Review Grant funding is no longer needed therefore decreasing the amount needed for hiring actuarial consultants.

Change Group: A	Change Type: B	Change No: 2	Priority:
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Base Budget IT Software

\$90,000 This change package is to add the one-time purchase of a new boiler inspection software program to the department's base budget.

Change Group: R	Change Type: A	Change No: 1	Priority:
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Grant to NDFA

This restores \$40,000 in funding that was cut during the 63rd Legislative Session and adds an additional \$50,000 for extrication training. This brings the biennial total to \$890,000.

Change Group: R	Change Type: A	Change No: 2	Priority:
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Grants to Fire Districts

BUDGET CHANGES NARRATIVE**401 Office of the Insurance Commissioner****Bill#: SB2010****Date:** 12/23/2014**Time:** 12:47:58

Increases the grants paid to the fire districts from the insurance tax distribution fund \$1,144,821. The increase was determined by taking an average of the increase in the insurance tax premium over the last five years.

Change Group: R	Change Type: A	Change No: 100	Priority:
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Executive Compensation Package Adjustment

Provides funding for the recommended 15-17 compensation adjustments.

Change Group: R	Change Type: B	Change No: 1	Priority:
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Computerized Database for NDFA

Provides one-time funding of \$130,000 to create a database that would be a central hub for all data pertaining to firefighters.